

JOHN LABATT

 Annual Report 1982

John Labatt

John Labatt is a broadly-based, Canadian-owned company carrying on business in three major industrial groups: Brewing, Packaged Food and Agri Products.

The principal products for each operating division within each of the three major groups are as follows:

Group	Division	Products and Activities
Brewing	Labatt Brewing	beer, ale, malt liquor and stout
	Labatt Importers	sale of beer and ale in the United States
Packaged Food	Catelli	pasta, jams, marmalades, pickles, soups, sauces, packaged flour, puddings, table and maple syrup, processed meats and condiments
	Laura Secord	confectionery and ice cream
	Chef Francisco	prepared frozen foods in the United States
	Chateau-Gai	wine in Canada
	LaMont	bulk wine in the United States
Agri Products	Ault Foods	cheese, butter, fluid milk, cultured products, ice cream, powders, and other milk products
	Ogilvie Flour	flour and other milled grain products
	Industrial Grain Products	wheat starch and gluten
	Terra Foods	fresh mushrooms
	Miracle Feeds	distribution of by-product livestock feeds

In addition, John Labatt has a number of partly-owned business investments accounted for on the equity basis as follows:

Partly-Owned Businesses	Interest	Products and Activities
Zymaize Company	50% partnership interest	sweeteners and starch derived from corn
McGavin Foods Limited	60% equity, 50% voting share interest	baked goods in western Canada
Toronto Blue Jays Baseball Club	45% partnership interest	American League baseball
Allelix Inc.	30% partnership interest	biotechnical research
Canada Malting Co., Limited	14.2% share interest	malt for brewing and distilling industries
Catelli-Primo Limited	46.4% share interest	packaged food in Trinidad

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The Annual Meeting will be held at 11:30 a.m. on Friday, September 10, 1982, at the registered office of the Corporation, 451 Ridout Street, North, London, Ontario.

Shareholders are encouraged to attend the meeting but, if unable, have the opportunity to participate by completing and returning the proxy.

Pour obtenir la version française du présent rapport, écrire au secrétaire de John Labatt, 451 nord, rue Ridout, London (Ontario) N6A 4M3.

Highlights

(\$ millions except per share amounts)

	1982	1981	Change
Operating results			
Gross sales	\$ 2,077.3	\$ 1,495.7	+39%
Earnings before extraordinary items	57.4	44.6	+29
Net earnings	53.9	41.4	+30
Cash flow from operations	118.1	82.1	+44
Common share dividends	19.4	16.6	+17
Capital expenditures, acquisitions and additional investment in partly-owned businesses	\$ 144.5	\$ 50.6	+186%
Financial position			
Working capital	\$ 192.2	\$ 151.6	+27%
Total assets	905.5	723.0	+25
Long-term debt	255.0	177.1	+44
Shareholders' equity	\$ 330.8	\$ 282.6	+17%
Per share data			
Fully diluted earnings before extraordinary items	\$ 3.70	\$ 3.21	+15%
Fully diluted net earnings	3.50	2.98	+17
Cash flow from operations	8.78	6.39	+37
Dividends	1.44	1.30	+11
Shareholders' equity	\$ 24.44	\$ 21.85	+12%
Other data			
Return on shareholders' equity	18.7%	16.6%	+13%
Number of common shareholders	11,146	11,410	-2
Number of employees	11,000	10,400	+6%

Group Summary

(in thousands)

Operating Results	1982	1981	1980	1979	1978
Gross Sales					
Brewing	\$ 827,323	\$ 650,519	\$ 603,138	\$ 514,227	\$ 512,351
Packaged Food	470,583	440,663	409,329	322,468	256,739
Agri Products	779,349	404,535	329,314	272,991	228,173
	\$2,077,255	\$1,495,717	\$1,341,781	\$1,109,686	\$ 997,263
Earnings before interest and income taxes					
Brewing	\$ 68,052	\$ 46,089	\$ 42,228	\$ 26,915	\$ 46,946
Packaged Food	23,626	20,885	16,899	15,966	7,749
Agri Products	47,042	30,841	27,636	19,324	11,984
	138,720	97,815	86,763	62,205	66,679
Interest	29,861	25,666	24,664	19,327	14,499
Income taxes	47,649	29,580	25,935	17,451	19,729
Earnings before the following	61,210	42,569	36,164	25,427	32,451
Equity in net earnings (losses)					
of partly-owned businesses	(3,674)	2,107	1,700	(2,860)	1,534
Minority interest	(128)	(112)	(109)	(101)	(90)
Earnings before extraordinary items	57,408	44,564	37,755	22,466	33,895
Extraordinary items	(3,500)	(3,200)	(1,508)		
Net earnings	\$ 53,908	\$ 41,364	\$ 36,247	\$ 22,466	\$ 33,895
Capital Expenditures and Acquisitions					
Brewing	\$ 22,175	\$ 15,359	\$ 24,094	\$ 13,726	\$ 22,866
Packaged Food	19,230	11,548	22,933	43,219	12,542
Agri Products	66,311	19,883	12,959	10,762	4,507
Total	\$ 107,716	\$ 46,790	\$ 59,986	\$ 67,707	\$ 39,915

Letter to Shareholders

Financial Highlights

Sales and earnings for the year ended April 30, 1982 showed major improvement over fiscal 1981 results.

Gross sales were \$2,077.3 million compared to \$1,495.7 million last year, a 38.9% increase. Earnings before extraordinary items were \$57.4 million, a 28.7% improvement from earnings of \$44.6 million for fiscal 1981. Fully diluted earnings per share before extraordinary items in fiscal 1982 were \$3.70, up from \$3.21 per share in the previous year.

The significant increase in both sales and earnings resulted from a strong performance in each of the three operating groups and a positive impact from acquisitions. An extraordinary loss of \$3.5 million or 20¢ per share was recorded during fiscal 1982 due to the closure of surplus facilities.

Income before interest and income taxes increased to \$138.7 million in fiscal 1982. The Brewing Group accounted for 53.6% of the improvement, Packaged Food, 6.7%, and Agri Products 39.7%. Brewing Group earnings at \$68.1 million were 47.7% ahead of last year's earnings of \$46.1 million, due mainly to increased national market share and a return to normal operations in Alberta and British Columbia following industry work stoppages which occurred in fiscal 1981. The Packaged Food Group's earnings were \$23.6 million compared to \$20.9 million last year, representing a 13.1% improvement in a difficult market environment. Agri Products Group earnings increased by 52.5% from \$30.8 million to \$47.0 million, reflecting strong results in the Ault and Flour Divisions plus the very positive impact from acquisitions made in fiscal 1981 and fiscal 1982.

Earnings from partly-owned businesses showed a loss of \$3.7 million in fiscal 1982 compared to earnings of \$2.1 million in the previous year. The loss was due to very unfavourable market conditions for corn sweeteners and initial operating difficulties for Zymaize Company. A strong performance by McGavin Foods in fiscal 1982 contributed earnings of \$1.6 million compared to \$1.3 million for the previous year.

Business Development

To ensure continued growth in sales and earnings in the three major businesses, Brewing, Packaged Food and Agri Products, management again pursued an aggressive business development program.

The Brewing Group strengthened its position in the Canadian industry due to improved performance of its national brands, Labatt's "50" and Labatt's "Blue", and

continued success of "Budweiser". Market share gains were experienced in Ontario, Quebec, Alberta, Saskatchewan, New Brunswick and Nova Scotia. Profit improvement was also addressed through focusing on productivity and cost reduction measures which included the closing of two breweries, one located in Victoria, British Columbia, and another in Stephenville, Newfoundland.

The Packaged Food Group was expanded during fiscal 1982 by Chef Francisco's acquisition of Kim Products of Arkansas, a frozen food processor of specialty vegetables. The acquisition increases the Division's line of frozen products for the food service industry. A focus on operations improvement at Laura Secord resulted in the closure and disposition of the Toronto bakery and the phase out of manufacturing at its Montreal facility. Both plants had limited Laura's operating efficiencies. New product launches and aggressive marketing campaigns by Catelli, Chateau-Gai and Chef Francisco improved their competitive positions.

The Agri Products Group was significantly expanded and strengthened by acquisitions at Ault Foods. The most significant was Dominion Dairies, which was acquired in early fiscal 1982. Other acquisitions made during the year included Copper Cliff Dairies of Sudbury, Ontario, and Balderson Cheese of Balderson and Thornloe, Ontario. Also in early fiscal 1983 the New Dundee Creamery of New Dundee, Ontario, was acquired. The acquisition program has significantly expanded investment in the Canadian dairy industry and, as a result, Ault Foods is now a complete dairy operation with a broad range of products for both retail and industrial markets.

Zymaize, a 50% joint venture with Redpath Industries, announced during fiscal 1982 a program to expand the London, Ontario, plant to enable production of enriched fructose corn syrup. This product is used extensively by the soft drink industry in the United States and its usage in Canada is expected to increase significantly over the next several years. The expansion is estimated to cost \$30 million and is scheduled to be in operation in late fiscal 1983. When the expansion is completed, Zymaize will have the ability to compete in all segments of the corn-based sweetener market in Canada.

McGavin Foods began construction on a new bakery and distribution centre in Edmonton, Alberta, in late fiscal 1982. The facility is scheduled to begin operating during 1983 and production for northern Alberta will be completely phased in by 1985. McGavin, through this expansion, will be in a stronger position to serve the northern Alberta market.

Allelix, a joint venture with Canada Development Corporation and the Government of Ontario, to develop biotechnically-based products and processes for commercialization, has begun construction of research and administrative facilities at a site in Mississauga, Ontario. Completion is scheduled for early 1983.

Acquisition opportunities, both in Canada and the United States, will continue to be examined during fiscal 1983. Acquisitions which complement current businesses and add to the Company's presence in specific markets will be considered. In addition, management will continue to investigate opportunities to improve the profitability of existing businesses during these difficult economic times and ensure that developmental projects underway realize their full potential.

Dividends

At the 1981 annual meeting, the quarterly dividend rate paid on common shares was increased to 37¢. In fiscal 1982, total dividends paid to common shareholders were \$19.4 million or \$1.44 per share, up from \$16.6 million or \$1.30 per share paid in fiscal 1981.

Financial Position

Fiscal 1982 was a year of significant improvement in financial position. Shareholders' equity at \$330.8 million increased 17.1% and return on average shareholders' equity for fiscal 1982 was 18.7% compared to 16.6% in fiscal 1981.

Funds generated from operations during fiscal 1982 were \$118.1 million, up substantially from the 1981 level of \$82.1 million. Other sources, primarily the issuance of 11% convertible subordinated debentures, produced an additional \$97.7 million, providing total sources of funds of \$215.8 million for the year. Uses of funds, including \$144.5 million in new investments, totalled \$175.2 million, resulting in a net increase of \$40.6 million in working capital. Working capital at year end was \$192.2 million and the working capital ratio improved from 1.75 to 1.79. Continued focus was placed on the management of working capital. The number of days sales in receivables at April 30, 1982, improved to 26 days from 30 days at April 30, 1981, and the number of days sales in inventory improved from 90 days at April 30, 1981, to 61 days at April 30, 1982.

Bank advances and short-term notes, net of cash and short-term investments, were \$7.8 million at April 30, 1982, compared with \$79.1 million at April 30, 1981.

Net short-term borrowings and long-term debt at April 30, 1982, accounted for 39.6% of total capitalization compared with 43.0% at April 30, 1981.

Management

During fiscal 1982, Mr. B.G. Brighton, Senior Vice-President, Finance and Administration, retired from John Labatt. During his career, Mr. Brighton contributed to the Company's growth by serving in a number of senior positions. Mr. G. S. Taylor, Vice-President, Finance, assumed total financial responsibilities and Mr. D.C. Kitts, Vice-President, Administration and General Counsel, assumed overall responsibility for administration. Mr. W.J. Emmerton was appointed Secretary, and Mr. R.G. Vaux, Treasurer.

Shareholders

As of April 30, 1982, 10,762 Canadian residents located across Canada held 98% of John Labatt's shares. A regional summary of shareholders is shown in the following table:

	Number of Shareholders	%
Atlantic	425	3.8
Quebec	1,567	14.1
Ontario	6,313	56.7
Western	2,457	22.0
Total Canada	10,762	96.6
Non-residents	384	3.4
Total Shareholders	11,146	100.00

Board of Directors

The retirements of Mr. E.C. Freeman-Atwood and Mr. J. Allyn Taylor as a Director and Honourary Director, respectively, were announced at the 1981 annual meeting.

Appreciation was expressed to both for their outstanding contribution. Mr. Freeman-Atwood had been a Director since 1973. Mr. Taylor was appointed to the Board in 1963, served as a Director until 1978, and subsequently as an Honourary Director.

Mr. Samuel Pollock, Chairman and President of Carena-Bancorp Holdings Inc. of Montreal, was appointed to the Board of Directors during fiscal 1982.

Corporate Responsibility

Charitable contributions were made to approximately 1,000 organizations involved in a wide spectrum of activities. Total contributions for the year were \$1.4 million. Of this amount, 39% was provided to health and welfare programs, 22% to education projects, 12% to cultural groups, 15% to civic and sport projects and 12% to a unique program called "Labatt's People In Action". This program assists non-profit groups working with the disadvantaged by providing financial support for these groups to hire students for the summer.

John Labatt is pleased to be associated with the many thousands of conscientious citizens who give freely of their time and talents in working to improve the quality of life in their communities. Participation in community work is encouraged, and John Labatt people can be found giving of their personal time to a variety of charitable causes.

Outlook

Continued growth in sales and earnings in fiscal 1983 is anticipated as a result of a strengthened position in each of the three major industry sectors. Management is concerned, however, that unfavourable economic conditions which have impacted somewhat on this year's performance will carry through fiscal 1983 unless confidence is restored in the economy and new investment initiatives are encouraged.

The Brewing Group expects to secure additional national market share based on the strong performance of key brands in major markets. In the United States, continued progress in existing markets and expansion into new markets will result in improved performance.

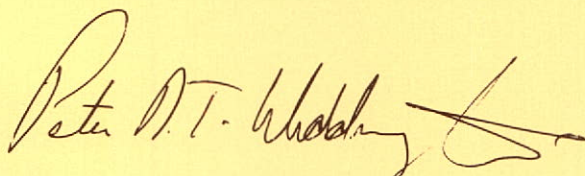
The Packaged Food Group also anticipates improvement in fiscal 1983, although economic conditions will have a softening effect on results.

In the Agri Products Group, the earnings level achieved during fiscal 1982 is expected to be maintained, however, the rate of earnings improvement will be somewhat slower than that experienced during the last several years.

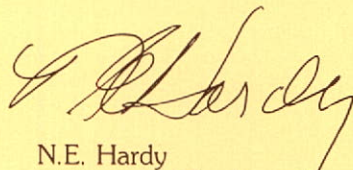
World sugar prices are not anticipated to improve significantly in the near term and, therefore, the unfavourable market conditions for corn sweeteners, which impacted severely on Zymaize during fiscal 1982, will continue with little relief expected in fiscal 1983. John Labatt anticipates that losses from Zymaize in fiscal 1983 may exceed fiscal 1982 levels, detracting from earnings growth achieved in other areas.

Tribute

In fiscal 1982, sales exceeded two billion dollars, a new and exciting milestone. John Labatt's reputation with consumers as a producer of high quality products has been built by the commitment to excellence by 11,000 dedicated employees. On behalf of shareholders, we express our appreciation to and continued confidence in our most important asset — our people.



P.N.T. Widdrington
President and Chief Executive Officer



N.E. Hardy
Chairman of the Board
July 8, 1982

The Brewing Group

	1982	1981	1980	1979	1978
Industry volume (000 hl.)	20,515	19,534	20,682	19,257	19,506
Labatt domestic volume (000 hl.)	7,676	7,073	7,617	7,091	7,608
Market share	37.4%	36.2%	36.8%	36.8%	39.0%
(in thousands)					
Gross sales	\$827,323	\$650,519	\$603,138	\$514,227	\$512,351
Assets employed	217,529	227,997	206,545	184,942	183,830
Capital expenditures	22,175	15,359	24,094	13,726	22,866
Depreciation and amortization	16,405	15,425	11,672	11,352	9,881
Earnings before interest and income taxes	\$ 68,052	\$ 46,089	\$ 42,228	\$ 26,819	\$ 46,440

The Brewing Group consists of Labatt Brewing in Canada and Labatt Importers in the United States.

Labatt Brewing markets thirty-four brands of quality beer, ale, malt liquor and stout. Labatt's "Blue" and Labatt's "50" are the company's two flagship brands accounting for the majority of sales. Operating twelve plants across Canada, Labatt Brewing has a combined total brewing capacity of 8.8 million hectolitres.

Labatt Importers distributes "Labatt's Beer" and "Labatt's Ale" in twenty-two states of the United States.

Earnings for the Brewing Group before interest and income taxes for fiscal 1982 were \$68.1 million, up from \$46.1 million for the previous year, a 47.7% improvement. Sales for the year were \$827.3 million, up from \$650.5 million in fiscal 1981, representing a 27.2% increase. The major improvement in sales and earnings was due to the strong market performance of Labatt brands, particularly Labatt's "Blue", the continued success of "Budweiser", and a return to normal operations in Alberta and British Columbia following industry work stoppages which occurred in fiscal 1981.

Labatt Brewing

In Canada, industry volume, although recovered from last year's depressed level, remained soft, affected in part by severe winter weather and generally unfavourable economic conditions.

Labatt recaptured and maintained market share leadership in the Canadian brewing industry during fiscal

1982. The company's share of the Canadian beer market for the twelve months ended April 30, 1982, averaged 37.4% up 1.2 percentage points from fiscal 1981. In Ontario, the largest provincial market, Labatt's market share increased for the fourth consecutive year, further strengthening the company's leading position. In Quebec, market share also improved for the second consecutive year. Improvement in market share was also enjoyed in Nova Scotia, New Brunswick, Saskatchewan and Alberta. In British Columbia, Labatt's market share continued to show weakness; however, major marketing efforts have stabilized Labatt's share in that market and it is anticipated that this program will lead to improved performance in 1983.

Labatt's "Blue" strengthened its position as the single largest selling brand in Canada in fiscal 1982, and Labatt's "50" continued as one of the country's most popular ales. These two flagship brands received increased emphasis during the year to ensure continued contemporary appeal. Labatt's "Special Lite" was renamed "Labatt's Lite" in order to broaden its base within the light beer segment. "Budweiser", brewed by Labatt under licence from Anheuser-Busch, continued to enjoy strong consumer acceptance throughout the year and was recently introduced in Newfoundland. In the Maritimes, Oland and Keith products continued to enjoy wide consumer acceptance, and in other markets, regional brands such as "Club" in Alberta and "Kokanee" in British Columbia performed well during the year.

Management continued to emphasize improvements in operating efficiencies and brewing techniques during fiscal 1982. In British Columbia, Labatt had three breweries located in Victoria, New Westminster and Creston, and in Newfoundland, two plants, one located in Stephenville and another in St. John's. In both markets the company had excess capacity and, after intensive examination, the Victoria and Stephenville plants were closed.

To offset cost increases and to improve efficiency, Labatt undertook a wide range of initiatives, including the first introduction in the Canadian brewing industry of aluminum cans and a series of automation improvements which, when fully implemented, will provide the company with operational improvements.

In several of Labatt's key markets it is necessary to increase production capacity to meet anticipated increased demand. Major capital projects are now underway at Labatt's Toronto, Halifax and Edmonton breweries, which, when completed, will strengthen the company's position in these markets.

Energy reduction programs partially offset the increased cost of energy used in production and distribution. Labatt's energy costs increased 17% in fiscal 1982, while the actual price of energy increased 19.4%. Opportunities for additional cost savings are being pursued, and an industry study is underway in British Columbia, Quebec, Nova Scotia and Newfoundland to identify more efficient means of distribution. Despite the success of efficiency improvements and cost reduction programs, it was necessary during fiscal 1982 to obtain price increases in all markets to offset higher material, labour and fuel costs.

The company has been active in initiating programs designed to improve union-management relationships during fiscal 1982, and this emphasis will continue throughout fiscal 1983.

In management's view, Labatt Brewing is well positioned to strengthen its leadership position. The industry will remain intensely competitive during fiscal 1983 and Labatt will continue to adopt an aggressive and innovative attitude while maintaining a prudent market investment program. Although partially attributable to unfavourable weather and poor economic conditions, the softness in industry volume growth represents a

concern. Labatt is completing a major research project on the subject of beer consumption which is identifying consumer opinions and attitudes and which will assist in formulating new responses to changing consumer trends and demands. Management is confident that ongoing emphasis on productivity and efficiency improvements, coupled with increased sales volumes as a result of continued strength of Labatt brands, will ensure growth in earnings in fiscal 1983.

Labatt Importers

Labatt Importers continued to show significant progress during fiscal 1982, as sales and earnings were well ahead of results for the previous year. The United States beer market remained very competitive throughout the year due to increased marketing and promotional activities of domestic brewers as well as aggressive marketing from other importers. During the year Labatt Importers expanded into some western states, made refinements to the advertising program for "Labatt's Beer" and "Labatt's Ale", and completed packaging changes. In the latter part of the year, "Labatt's Light" was introduced into established markets on a selective basis, and market expansion is being considered.

In fiscal 1983 Labatt Importers will continue to expand its distribution while strengthening its position in existing markets; further performance improvement is anticipated.

The Packaged Food Group

(in thousands)	1982	1981	1980	1979	1978
Gross sales	\$470,583	\$440,663	\$409,329	\$322,468	\$256,739
Assets employed	221,632	216,634	233,912	190,235	132,623
Capital expenditures and acquisitions	19,230	11,548	22,933	43,219	12,542
Depreciation and amortization	7,991	8,475	7,583	5,425	4,471
Earnings before interest and income taxes	\$ 23,626	\$ 20,885	\$ 16,899	\$ 15,868	\$ 7,383

The Packaged Food Group consists of five operating Divisions: Catelli, Laura Secord and Chateau-Gai in Canada, and Chef Francisco and LaMont in the United States.

During fiscal 1982 the Packaged Food Group improved performance over the previous year. The Group's sales increased by 6.8% to \$470.6 million and earnings before interest and income taxes were \$23.6 million, an improvement of 13.1%.

Catelli, Chef Francisco and Chateau-Gai had strong earnings gains attributable to aggressive marketing activities and the successful implementation of cost reduction programs. Laura Secord had a disappointing year; as earnings declined due to reduced consumer demand for confectionery products. LaMont continued to operate within very unfavourable industry conditions, and performance for the year was depressed and below last years' level.

In fiscal 1983, despite anticipated unfavourable economic conditions, we are confident that sales and earnings for each Division of the Packaged Food Group will be improved.

Catelli

Catelli produces and markets a wide range of grocery products in Canada and the New England region of the United States.

In Canada, Catelli is the leading producer of pasta, aseptic pudding and spaghetti sauces, and on a regional basis has a significant market share in other product lines. Catelli's products, in addition, include pickles, jams, marmalades, table and maple syrups, ready to serve soups, packaged flour, and other milled products. The Division is also a major supplier to the retail food chains for a variety of custom-packed products.

In New England, soups, high quality processed meats and specialty condiments are sold. Catelli also markets maple syrup products across North America.

Six plants are operated by Catelli in Canada, three in Ontario, two in Quebec and one in Alberta. Three small plants are in operation in the New England states.

The Canadian grocery products industry did not grow significantly during fiscal 1982 and the industry remained intensely competitive, particularly in Quebec and Ontario. Despite this, Catelli's performance was notably improved due to strong sales for a number of product lines including soups, sauces and flour. Catelli enjoyed solid volume gains, and improved operating efficiencies also contributed to higher earnings. To meet anticipated increased demand for pasta, Catelli began construction of additional capacity at the Montreal plant which is scheduled to be completed during fiscal 1983. Catelli nationally launched the "Five Roses" brand of unbleached flour during the year, and in early fiscal 1983 "Catelli Plus", an enriched pasta higher in protein than regular pasta was introduced. Consumer response to both products is encouraging.

In New England where Catelli has developed a strong regional presence, sales and earnings were improved over fiscal 1981 despite poor market conditions, particularly for specialty meats.

Catelli is in a good position to achieve earnings growth during fiscal 1983 based on its well established and respected line of good value products that tend to retain demand during difficult economic times. Emphasis will be directed towards improving operational performance, both in Canada and New England, and towards developing additional new products to meet changing consumer needs.

Laura Secord

Laura Secord manufactures a wide range of confectionery and specialty products from a plant located in Toronto, Ontario. The Division markets its full range of "Laura Secord" products and the "Laura Secord" brand of ice cream through its retail operations, consisting of 200 leased Laura Secord shops and approximately 1,300 agency outlets located mainly in drug and department stores across Canada. The wholesale operation markets the "Smiles'n Chuckles" line of products in Canada, and in addition, confectionery products are exported to the United States.

Laura Secord contributed to the Group's earnings in fiscal 1982; however, earnings were below the level achieved a year ago. Laura Secord's sales, both in retail and wholesale operations, were lower due to reduced consumer spending for confectionery products. In response to negative market conditions, Laura Secord continued to address operational efficiencies and discontinued manufacturing at the Montreal plant. Further, the Laura Secord shop renovation program, which is being phased in over a number of years, continued with 30 shops renovated this year to the new contemporary design concept. The Division now has 37 shops converted and consumer acceptance has been favourable.

In fiscal 1983, confectionery market conditions are expected to remain weak and Laura Secord's emphasis will be directed toward programs to improve sales and the profitability of operations.

Chef Francisco

Chef Francisco produces prepared frozen soups, specialty frozen vegetables, cakes and a variety of other frozen baked goods for sale to airlines, restaurants and other segments of the food service industry in the United States. Under the "Oregon Farms" brand name, Chef Francisco sells directly to the retail grocery trade. The Division operates three plants, with one located in Oregon, a second in Pennsylvania, and a third recently acquired facility in Arkansas.

In fiscal 1982, Chef Francisco's sales and earnings increased sharply due to the continued strong demand for frozen soups in existing food service markets and successful penetration into new markets. During the year two new "Oregon Farms" frozen cakes were introduced; however, soft market conditions for frozen baked goods limited sales in this area. Chef Francisco acquired Kim Products of Clarksville, Arkansas, a frozen food processor of specialty vegetables, late in fiscal 1982. The acquisition expands Chef Francisco's food service product line and provides further opportunities for growth.

In fiscal 1983, Chef's sales and earnings are anticipated to increase as a result of a strong performance in soups, cakes and new specialty vegetable products.

Chateau-Gai

A wide variety of quality wines are produced and marketed under the "Chateau-Gai" label from wineries located in New Brunswick, Ontario and Alberta, and under the "Casabello" label from a winery located in British Columbia.

Earnings for Chateau-Gai were improved from the disappointing results of the previous year. Progress was due largely to improved operations and positive impact of initiatives announced by the Government of Ontario in 1981. Volume for the year, however, was below expectations, particularly in the important Ontario and British Columbia markets, due to continued strong competition from imported wines. The market for domestic wine increased by 1% during fiscal 1982, while volume of foreign wine sold in Canada rose by 10%.

During the year Chateau-Gai launched Canada's first light table wine, "Capistro". "Capistro" is now available in all provinces, except Quebec, and has met with an encouraging consumer response. "Alpenweiss", the largest selling Canadian produced white wine, was introduced into Quebec and selective markets in New England.

Chateau-Gai anticipates continued earnings improvement in fiscal 1983 as a result of new marketing programs and improved operations. Highly competitive pressure from foreign wines will continue to place constraints on earnings performance.

LaMont

LaMont Winery, located in California, is primarily a processor of wine for sale in bulk to major wineries for their own packaging and marketing. LaMont also custom packs wines which are sold by other wine marketers across the United States and, in addition, produces grape concentrate for both the wine and food industries.

Fiscal 1982 was a disappointing year for LaMont, as the rate of growth in the United States wine industry declined due to economic conditions. An unfavourable market for bulk wines caused industry volumes to drop below last year's levels and LaMont's performance declined from last year as well.

LaMont's major thrust continues to be directed at development of new long-term contracts with both grape suppliers and customers in order to secure a reliable higher volume base which will allow for improved plant operations and efficiencies. In addition, LaMont will expand its custom packaging operations and management will explore new opportunities for innovative sale of bulk wine in the United States. Recently, LaMont has begun to package wine in twenty-five gallon kegs for test marketing by a major beverage distributor.

In fiscal 1983, improvement in sales and earnings is anticipated, although overall performance remains sensitive to market conditions for bulk wines.

The Agri Products Group

(in thousands)	1982	1981	1980	1979	1978
Gross sales	\$779,349	\$404,535	\$329,314	\$272,991	\$228,173
Assets employed	185,562	135,252	108,498	89,917	76,085
Capital expenditures and acquisitions	66,311	19,883	12,959	10,762	4,507
Depreciation and amortization	10,349	5,209	4,673	4,080	3,539
Earnings before interest and income taxes	\$ 47,042	\$ 30,841	\$ 27,636	\$ 19,277	\$ 11,774

The Agri Products Group consists of five operating Divisions: Ault Foods, Ogilvie Flour, Industrial Grain Products, Terra Foods and Miracle Feeds.

The Group's performance in fiscal 1982 showed major improvement over the record high earnings level of fiscal 1981. Sales rose by 92.7% and earnings before interest and income taxes improved by 52.5%. The impressive earnings gain was due to the positive impact of acquisitions at Ault Foods and strong export sales by Ogilvie. Miracle Feeds increased their contribution to the Group's earnings and Terra Foods had satisfactory results in its first year of operation. Industrial Grain Products had a difficult year due to international market conditions for gluten, and earnings declined from last year's level.

Ault Foods

Ault Foods is a complete dairy company with cheese, butter, fluid milk, cultured products, ice cream, and powdered products, representing its major product lines. These products are marketed throughout Ontario, Quebec and Atlantic Canada under a number of brand names. Ault Foods also sells a wide range of industrial milk products to large Canadian food manufacturers and retailers for further processing or private label distribution. In addition, a significant export business has been developed over recent years for a variety of milk products. The Division operates eleven plants in Ontario, three in Quebec and processed two billion pounds (881,000 kilolitres) of milk in fiscal 1982.

In fiscal 1982, Ault achieved another year of significant growth in sales and earnings. The improvement was due largely to the positive impact from acquisitions which were made in fiscal 1981 and in early fiscal 1982 as well as sales gains in all major product categories. Ault continues to take advantage of improved operating efficiencies as a result of economies achieved through increased production specialization at various plant locations. Specialization provides increased flexibility and allows Ault to react quickly to changes in market demand.

Dominion Dairies, acquired in early fiscal 1982, and Stacey Brothers, acquired in the previous year, were successfully integrated into Ault's operations. Two further acquisitions were also completed in fiscal 1982, namely Copper Cliff Dairies of Sudbury, Ontario, and Balderson Cheese of Balderson and Thornloe, Ontario. These new operations provide Ault Foods with additional milk products and new markets. In early fiscal 1983, Ault acquired the business of New Dundee Creamery Limited in New Dundee, Ontario, which further expands Ault's presence in southwestern Ontario and complements the Stacey Brothers operation.

To improve operating efficiencies and provide for expanded production capacity, a dryer was installed in the Winchester plant and an evaporator was added to the Napanee operation. A major expansion of the processing and warehousing capabilities of the Stacey Brothers facility in Mitchell, Ontario, is currently underway.

In fiscal 1983, Ault anticipates continued improvement in sales and earnings. The positive impact from acquisitions, continued strong performance from its major products in both retail and industrial markets, and an emphasis on improving operational efficiencies, will contribute to improve results.

Ogilvie Flour

Ogilvie is the largest flour miller in Canada and grinds approximately twenty-five million bushels of wheat annually. In Canada, Ogilvie supplies baking, pasta and biscuit producers and also produces the "Five Roses" brand of family flour and other milled products which are marketed nationally by Catelli. The export market is important as the Division participates in the supply of Government foreign aid requirements and sells directly to a number of nations. Ogilvie operates five mills, one each in Alberta, Manitoba and Quebec, and two in Ontario.

In fiscal 1982, Ogilvie Flour's sales and earnings were significantly improved. Higher volumes combined with

emphasis on operational efficiencies account for the earnings gain. Sales volumes for the export market were up 9.7% and domestic volumes improved by 4.6%.

Ogilvie anticipates that, in the current economic environment, export volumes will not be maintained at fiscal 1982 levels. In the milling industry, earnings are very sensitive to volume, and even though management anticipates a strong performance in the domestic market, overall earnings in fiscal 1983 may be adversely affected by lower export sales.

Industrial Grain Products (IGP)

IGP is Canada's only, and one of the world's largest, producers of wheat starch and gluten. Starch is used in the food processing, paper, mining, building and adhesives industries. Gluten, a vegetable protein, is used in a wide range of processed food and other applications. IGP starch is sold primarily in Canada, whereas gluten is sold to a number of countries of which the United States accounts for the largest volume. Two plants are operated, one in Ontario and one in Quebec.

In fiscal 1982, IGP had a difficult year, although a small contribution to the Group's earnings was achieved. Sales volumes for starch declined as a result of a low level of activity in many of the primary starch markets such as building, textile and mining. Reduced demand for starch also negatively affected selling prices. Gluten sales were adversely affected by economic conditions and by increased production capacity in several other producing nations, especially in the United States and Australia.

However, the Division continued to make progress during the year in developing new value-added and specialty products. These products will improve IGP's industry position and should contribute positively in future years.

In outlook, IGP's profit is expected to improve in fiscal 1983; however, improvement will remain sensitive to world economic conditions for starch and gluten.

Terra Foods

Terra Foods produces high quality fresh mushrooms from a plant near Montreal which are marketed in Quebec through grocery chains under the "Terra" brand.

Terra completed its first year of operation in fiscal 1982 and made a satisfactory contribution to the Agri Group's earnings. During the year progress was made on improving plant operating efficiencies and growing techniques. In addition, marketing and promotion

programs were implemented through the grocery chains with encouraging results.

In fiscal 1983 the Division will continue to develop and strengthen its "Terra" brand name with consumers and increase production efficiencies. Terra Foods expects improved earnings in fiscal 1983.

Miracle Feeds

Miracle Feeds markets by-product materials from the food and beverage industry as nutritious livestock feeds throughout Canada and the United States. These by-products are purchased under contract from various breweries, distilleries and food processing plants located in both Canada and the United States.

The Division improved its performance in fiscal 1982, due mainly to higher sales volumes resulting from new contract sources, and anticipates continued sales and earnings growth in fiscal 1983.

Partly-Owned Businesses

Zymaize

Zymaize operates a corn wet milling plant in London, Ontario, which produces high fructose syrup, corn syrup and corn starch, and as by-products, gluten feed, gluten meal and corn germ. High fructose syrup is a sweetener derived from corn which can be used as a substitute for liquid cane and beet sugar in a variety of applications in the food and beverage industries. John Labatt's 50% partner in Zymaize is Redpath Industries.

In fiscal 1982, John Labatt's share of Zymaize's losses was \$6.2 million. Long-term prospects for the corn sweetener industry are positive; however, current market conditions for high fructose corn syrup, caused by the depressed price of world sugar, resulted in poor sales volumes and selling prices contributing to the operating loss. In addition, operational difficulties at the London plant negatively impacted on results.

During the year, management at Zymaize was significantly strengthened and operational difficulties in the early stages of start-up have been corrected. Expansion of the plant to produce enriched fructose corn syrup has progressed well and completion is scheduled for late fiscal 1983. Enriched fructose corn syrup is used extensively by the soft drink industry in the United States, and its usage in Canada is expected to increase significantly over the next several years. When the expansion is completed, Zymaize will be able to market a full range of corn sweetener products.

World sugar prices are not anticipated to improve significantly in the near term and, therefore, the unfavourable market conditions for corn sweeteners, which impacted severely on Zymaize during fiscal 1982, will continue with little relief expected in fiscal 1983. Losses at Zymaize in fiscal 1983 may exceed fiscal 1982 levels, but the current fiscal period is viewed as a year when Zymaize will establish market penetration and an essential sales base upon which future success will depend. In the longer term, the prospects for corn sweeteners are positive and, as sugar prices and marketing conditions return to more normal and historical patterns, Zymaize will achieve a significant level of profitability.

McGavin Foods

McGavin Foods is the largest bakery in western Canada, operating 9 plants throughout British Columbia, Alberta, Saskatchewan and Manitoba. A wide variety of breads, rolls and specialty baked goods are produced for grocery stores, restaurants and other members of the food service industry. John Labatt's partner in McGavin Foods is Maple Leaf Mills.

In fiscal 1982, McGavin Foods' contribution to John Labatt's earnings was \$1.6 million, representing a 19.4% improvement over the previous year. McGavin's sales and earnings were significantly ahead of last year in Alberta, Manitoba and Saskatchewan, reflecting strong market shares in each province. In British Columbia, sales gains were affected by aggressive competition from United States bakery products, which limited McGavin's earnings in this market.

During the year, construction began on a new bakery and distribution centre in Edmonton which will enable McGavin Foods to more effectively serve the northern Alberta market. Operations are scheduled to begin in late fiscal 1984.

McGavin Foods anticipates some improvement in sales and earnings for fiscal 1983; however, management is concerned that the difficult economic conditions and competitive pressures experienced this year, particularly in the British Columbia market, may constrain earnings performance.

Responsibility for Financial Statements

Management

The accompanying consolidated financial statements of John Labatt were prepared by management in conformity with generally accepted accounting principles applied on a basis consistent with the preceding year.

The Company is responsible for the integrity and objectivity of the information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates requiring careful judgement in those cases where transactions affecting a current accounting period are dependent upon future events.

Accounting procedures and related internal control systems are designed to provide assurance that accounting records are reliable and to safeguard the Company's assets. The accompanying consolidated financial statements have been prepared by qualified personnel in accordance with policies and procedures established by management, and in management's opinion, these statements fairly reflect the financial position of the Company, the results of its operations and the changes in its financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in note 1 to the Consolidated Financial Statements.

External Auditors

Clarkson Gordon, chartered accountants, the external auditors appointed by the shareholders, have examined the consolidated financial statements for the year ended April 30, 1982, and their report is presented on page 20.

Their opinion is based upon an examination conducted in accordance with generally accepted auditing standards and a review of accounting systems and procedures and internal controls. Based upon the evaluation of these systems, the external auditors conduct appropriate tests of accounting records and obtain sufficient audit evidence to provide reasonable assurance that the financial statements are presented fairly in accordance with generally accepted accounting principles.

Audit Committee

The Audit Committee, a majority of whose members are non-management Directors, meets quarterly to review the financial statements before their submission to the Board of Directors for approval. The Audit Committee also reviews, on a continuing basis, reports prepared by both the internal and external auditors relating to the Company's accounting policies and procedures and internal control systems. The Audit Committee meets regularly with both the internal and external auditors, without management present, to review their activities and to consider the results of their audits. The Audit Committee makes a recommendation annually as to the appointment of external auditors, who are elected annually by the shareholders.

Consolidated Statement of Earnings

For the Year Ended April 30, 1982

(with comparative amounts for the year ended April 30, 1981)

(in thousands except per share amounts)

	1982	1981
Revenue		
Gross sales	\$2,077,255	\$1,495,717
Less excise and sales taxes	255,872	198,783
	1,821,383	1,296,934
Operating costs		
Cost of products sold	1,227,667	831,768
Selling and administrative expenses	423,912	341,849
Depreciation and amortization	34,745	29,109
Interest — long-term	26,491	18,004
— short-term (note 2)	3,370	7,662
	1,716,185	1,228,392
Operating income	105,198	68,542
Investment and sundry income	3,661	3,607
Income before taxes	108,859	72,149
Income taxes — current	38,509	19,716
— deferred	9,140	9,864
	47,649	29,580
Earnings before the following	61,210	42,569
Equity in net earnings (losses) of partly-owned businesses	(3,674)	2,107
Minority interest	(128)	(112)
Earnings before extraordinary items	57,408	44,564
Extraordinary items (note 3)	(3,500)	(3,200)
Net earnings	\$ 53,908	\$ 41,364
Earnings per common share (note 1)		
Before extraordinary items	\$4.27	\$3.47
Net earnings	\$4.01	\$3.22
Fully diluted earnings per common share (note 1)		
Before extraordinary items	\$3.70	\$3.21
Net earnings	\$3.50	\$2.98

See accompanying notes

Consolidated Statement of Changes in Financial Position

For the Year Ended April 30, 1982

(with comparative amounts for the year ended April 30, 1981)

(in thousands)

	1982	1981
Sources of working capital		
From operations		
Earnings before extraordinary items	\$ 57,408	\$ 44,564
Net charges to earnings which do not reduce working capital	60,655	37,561
	118,063	82,125
Issue of 11% convertible subordinated debentures	80,000	
Issue of common shares (note 6)	13,701	4,120
Proceeds on disposal of fixed assets	2,678	1,914
Net decrease in mortgages, loans and advances	1,348	301
Proceeds on disposal of subsidiary companies' operations		12,370
	215,790	100,830
Uses of working capital		
Dividends—common	19,393	16,641
Acquisition of subsidiary companies, net of working capital acquired (note 9)	57,017	7,392
Investment in partly-owned businesses	36,739	3,786
Additions to fixed assets	50,699	39,398
Net decrease in long-term debt	5,116	9,601
Expenditures relating to plant closures, net of applicable income taxes	2,182	
Acquisition of minority interest in subsidiary company	1,508	
Goodwill, licences and trade marks	700	3,051
Other	1,841	4,403
	175,195	84,272
Increase in working capital	40,595	16,558
Working capital, beginning of year	151,644	135,086
Working capital, end of year	\$192,239	\$151,644

See accompanying notes

Consolidated Balance Sheet

April 30, 1982

(with comparative amounts as at April 30, 1981)

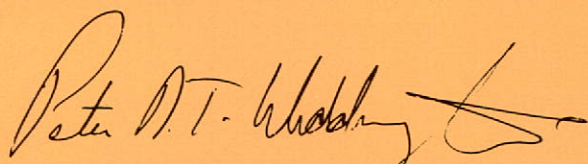
(in thousands except share amounts)

Assets	1982	1981
Current		
Cash and short-term investments (note 1)	\$ 62,224	\$ 1,515
Accounts receivable	148,256	124,278
Inventories (note 1)	204,090	204,927
Prepaid expenses	20,613	22,371
	435,183	353,091
Investments and other assets		
Investment in partly-owned businesses (note 4)	45,577	20,743
Investment in other companies	5,140	4,955
Mortgages, loans and advances	7,027	8,277
Due from employees under share purchase and option plans (note 6)	1,272	688
	59,016	34,663
Fixed at cost		
Land	20,258	16,295
Buildings and equipment	545,686	466,781
	565,944	483,076
Less accumulated depreciation	237,866	212,463
	328,078	270,613
Unamortized debt financing expense	3,521	2,816
Goodwill, licences and trade marks (note 1)	79,683	61,776
	\$905,481	\$722,959

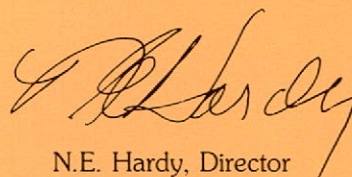
See accompanying notes

Liabilities	1982	1981
Current		
Bank advances and short-term notes	\$ 69,987	\$ 80,629
Accounts payable	144,944	105,368
Taxes payable	23,891	12,110
Long-term debt due within one year	4,122	3,340
	242,944	201,447
Deferred income taxes	76,737	60,606
Long-term debt (note 5)	254,996	177,075
Minority interest in subsidiary company		1,243
Shareholders' Equity		
Share capital (note 6)		
Authorized		
4,000,000 preferred shares		
Class A convertible common shares of no par value in unlimited amount		
Class B convertible common shares of no par value in unlimited amount		
Issued and outstanding		
13,363,724 Class A common shares (12,739,502—1981)		
172,595 Class B common shares (194,420—1981)	101,796	88,095
Retained earnings	229,008	194,493
	330,804	282,588
	\$905,481	\$722,959

On behalf of the Board



P.N.T. Widdrington, Director



N.E. Hardy, Director

Consolidated Statement of Retained Earnings

For the Year Ended April 30, 1982

(with comparative amounts for the year ended April 30, 1981)

(in thousands except per share amounts)

	1982	1981
Balance, beginning of year	\$194,493	\$169,770
Net earnings	53,908	41,364
	248,401	211,134
Dividends		
—common		
(\$1.44 per share 1982; \$1.30 per share 1981)	19,393	16,641
Balance, end of year	\$229,008	\$194,493

See accompanying notes

Auditors' Report

To the Shareholders of
John Labatt Limited.

We have examined the consolidated balance sheet of John Labatt Limited as at April 30, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at April 30, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada.
June 3, 1982.

Clarkson Gordon
Chartered Accountants.

Notes to the Consolidated Financial Statements

April 30, 1982

1. Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles in Canada, and also conform in all material respects with International Accounting Standards. Significant accounting policies observed in their preparation are summarized below:

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary corporations. The results of operations of subsidiaries acquired or sold during the year are included from or to their respective dates of acquisition or sale.

Foreign Currency Translation

Foreign currency amounts are translated into Canadian dollars on the following basis:

Cash, accounts receivable, and all current liabilities	—at the rates of exchange in effect at the balance sheet date
All other assets, related depreciation and amortization, and other liabilities	—at historical rates of exchange
Income and expenses other than depreciation and amortization	—at average exchange rates prevailing during the year

Gains and losses arising on the translation of foreign currencies are included in earnings.

Net Earnings Per Common Share

Earnings per common share have been calculated using the weighted monthly average number of shares outstanding during the year.

Fully diluted earnings per common share have been calculated on the assumption that the convertible subordinated debentures and common share options outstanding at the end of the year had been converted to common shares or exercised at the beginning of the year or on the date of issuance, as applicable.

The number of shares used in calculating earnings per common share are as follows:

	1982	1981
Basic	13,443,354	12,846,116
Fully Diluted	17,230,668	14,549,769

Inventories

Inventories, other than containers, are valued at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis. Containers are valued at redemption price or at estimated value not exceeding replacement cost. Inventory values are as follows:

	1982	1981
(in thousands)		
Finished and in process	\$130,421	\$127,586
Materials and supplies	53,200	58,093
Containers	20,469	19,248
	\$204,090	\$204,927

Investments

Partly-owned businesses are companies and partnerships in which the corporation has significant influence, and are accounted for using the equity method of accounting.

Investments in other companies are carried at cost and income is recognized when dividends are received.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided on a straight line basis over the estimated useful lives of the assets, generally at rates of 2½% for buildings, 10% for machinery and equipment, and 20% for vehicles.

Cash and Short-Term Investments

Cash and short-term investments consist of the following:

	1982	1981
(in thousands)		
Cash	\$ 3,063	\$1,515
Short-term investments	59,161	
	\$62,224	\$1,515

Short-term investments are carried at cost which approximates market value.

Unamortized Debt Financing Expense

Debt financing expenses are amortized over the term of the issue to which they relate.

Goodwill, Licences and Trade Marks

Goodwill and other intangible assets acquired prior to May 1, 1974, are carried in the accounts at cost without amortization. Goodwill and other intangible assets acquired after April 30, 1974, are being amortized by charges to earnings over the lesser of their estimated useful lives and forty years (1982 — \$1,940,000; 1981 — \$1,332,000).

The amounts of goodwill and other intangible assets consist of:

	1982	1981
(in thousands)		
Licences and trade marks	\$10,499	\$ 9,788
Purchased goodwill	8,690	8,690
Excess of purchase price of shares of certain subsidiary companies over assigned value of net assets acquired	66,524	47,388
	85,713	65,866
Less accumulated amortization	6,030	4,090
	\$79,683	\$61,776
Portion of above amount acquired after April 30, 1974 which is subject to amortization	\$37,889	\$18,042

Income Taxes

The corporation follows the deferral method of tax allocation accounting. Future income tax recoveries relating to losses are provided for only when it is virtually certain, in the loss year, that earnings in future years will be sufficient to make such recoveries possible.

Possible future income tax recoveries not recognized in the financial statements amounted to approximately \$2,965,000 at April 30, 1982. If not recovered, this amount will expire in varying amounts up to 1997.

The effective tax rate in 1982 was 43.8% (41.0% in 1981). In aggregate, the 3% inventory tax credit and investment tax credits reduced the effective tax rate in 1982 by 4.0 percentage points (6.0 percentage points in 1981). The 5% income tax surcharge and items not deductible for tax purposes increased the effective tax rate in 1982 by 3.7 percentage points (2.2 percentage points in 1981).

Research and Development Costs

Research and development costs amounting to \$4,002,000 in 1982 (\$3,776,000 in 1981) have been charged to earnings as incurred.

2. Interest—Short-Term

Short-term interest expense is comprised of the following:

	1982	1981
(in thousands)		
Interest expense on bank advances and short-term notes	\$11,434	\$7,662
Interest income from short-term investments	(8,064)	
	\$ 3,370	\$7,662

3. Extraordinary Items

During the year, the corporation recorded an extraordinary loss of \$3,500,000, net of applicable income tax recoveries of \$3,140,000, relating to the closure of certain manufacturing facilities.

4. Partly-owned Businesses

Investments in partly-owned businesses include the following:

Canada	% Equity Interest
Allelix Inc.	30.0
Canada Malting Co., Limited	14.2
McGavin Foods Limited (50% voting)	60.0
Toronto Blue Jays Baseball Club	45.0
Zymaize Company	50.0
Trinidad	
Catelli-Primo Limited	46.4

A summary of changes in these investments is as follows:

	1982	1981
(in thousands)		
Investment, beginning of year	\$20,743	\$15,801
Add		
Share of net earnings		2,107
Additional investment	36,739	3,786
	57,482	21,694
Less		
Share of net losses	3,674	
Dividends and other distributions received	8,231	686
Dispositions		265
Investment, end of year	\$45,577	\$20,743

5. Long-Term Debt

Particulars of debentures payable and other long-term debt are as follows:

	1982	1981
(in thousands)		
Sinking fund debentures		
6¼% Series C which matured May 15, 1981		\$ 337
6¼% Series D to mature June 15, 1987	\$ 2,722	2,829
6¼% Series E to mature October 1, 1989	2,024	2,024
7½% Series F to mature April 15, 1992	3,650	3,900
9¼% Series G to mature September 1, 1990	22,293	22,950
8¼% Series H to mature March 1, 1993	25,675	25,945
9% Series I to mature March 15, 1994	26,457	27,482
11½% Series J to mature October 1, 1999	40,000	40,000
9½% Convertible Subordinated Debentures to mature June 1, 1995	19,809	22,533
11% Convertible Subordinated Debentures to mature June 1, 2001	80,000	
Term bank loan repayable July 1, 1983, to June 30, 2003, at discounted amount	25,200	24,460
Term bank loan repaid during 1982		3,000
	247,830	175,460
Advances, mortgages and other long-term liabilities	9,738	3,831
Obligations under capital leases	1,550	1,124
	259,118	180,415
Less portion due within one year included in current liabilities	4,122	3,340
	\$254,996	\$177,075

The term bank loan, repayable July 1, 1983, to June 30, 2003, had rates of interest to maturity significantly below market rates at the date of assumption. The principal balance of this loan, at April 30, 1982, and April 30, 1981, was \$36,550,000 (\$32,500,000 U.S.). However, for financial reporting purposes this principal balance has been discounted based on an interest rate of 10 $\frac{3}{8}$ % to an amount of \$25,200,000 (\$22,407,000 U.S.) at April 30, 1982, and \$24,460,000 (\$21,750,000 U.S.) at April 30, 1981. Earnings of the corporation reflect interest expense calculated at a rate of 10 $\frac{3}{8}$ % on this discounted amount. This term bank loan is secured by a charge on the assets of certain subsidiary companies in the United States.

Maturities and sinking fund requirements for the years ending April 30, 1983, through 1987 are \$4,122,000; \$6,910,000; \$7,094,000; \$8,542,000 and \$8,921,000, respectively.

The 9 $\frac{1}{2}$ % convertible subordinated debentures are convertible at the holder's option on or before the earlier of June 1, 1985, or the last business day prior to redemption into Class A convertible common shares of the corporation at a conversion price of \$18.25 per share.

The 11% convertible subordinated debentures are convertible at the holders' option on or before the earlier of June 1, 1991, or the last business day prior to redemption into Class A convertible common shares of the corporation at a conversion price of \$31.625 per share.

The sinking fund debentures are secured by a floating charge on the undertaking, property and assets of John Labatt Limited. At April 30, 1982, the corporation had satisfied all of the covenants under the trust deed relating to the debentures, including the provision whereby dividends paid by the corporation subsequent to April 30, 1979, may not exceed consolidated net earnings, as defined in the trust deed, earned subsequent to that date plus \$25,000,000.

Long-term debt denominated in foreign currencies, translated at historical rates of exchange, amounted to \$31,061,000 at April 30, 1982, (\$26,934,000 at April 30, 1981). If translated at the rates of exchange in effect at the balance sheet dates, these obligations would have amounted to \$33,436,000 at April 30, 1982 (\$28,590,000 at April 30, 1981).

6. Share Capital

The corporation has been continued under the Canada Business Corporations Act. The corporation is a constrained share corporation whereby the total number of voting shares outstanding, as defined in the corporation's articles to be held by non-residents and their associates, is restricted to 20% and the number to be held by any single non-resident and his associates is restricted to 10%.

Common Shares

Under the provisions of the Canada Business Corporations Act and the corporation's articles, an unlimited number of common shares may be issued.

The two classes of common shares are interchangeable one to another and are subject to the same rights and conditions.

Preferred Shares

There are 4,000,000 authorized preferred shares available for future issue with conditions and preferences as determined by the Board of Directors.

Shares Available for Share Purchase and Option Plans

During July 1981, the corporation enacted a by-law which increased the number of Class A common shares available for allotment to employees under share purchase or option plans from 750,000 to 1,000,000 shares. At April 30, 1982, these shares were allocated as follows:

Under option	260,950
Issued	355,648
Reserved for Employee Share Purchase Plan maturing in August, 1983	76,531
Available for future issuance or option to employees	306,871
	1,000,000

Under the provisions of the by-law, the Board of Directors is not restricted to its allotment of these shares.

Details of shares under option to employees (260,950 allotted under this by-law, and 640 allotted under a previous by-law), as of April 30, 1982, are as follows:

Plan	Number of shares	Price per share	Expiry Date
1974 Share Option	640	\$12.85	December 1984
1975 Share Option	47,750	19.00	December 1983
1979 Share Option	213,200	21.75	December 1989
	261,590		

Of the 261,590 shares under option, there are 107,000 under option to officers of the corporation.

Under these plans, the individuals are entitled to purchase the shares and pay for them over periods of up to 15 years. The following schedule sets out details of amounts due from employees under these plans:

	1982	1981
(\$ in thousands)		
Officers	\$ 835	\$367
Other employees	437	321
	\$1,272	\$688
Number of shares	73,153	51,627

Shares Converted, Issued and Redeemed

The changes in the corporation's issued shares were as follows:

	1982		1981	
	Shares	Amount	Shares	Amount
(\$ in thousands)				
Issued and outstanding, beginning of year	12,933,922	\$ 88,095	12,711,869	\$83,975
Issued under employee share purchase and option plans	118,048	2,597	48,495	953
Issued as a result of conversions of 9½% convertible subordinated debentures at \$18.25 per share	149,200	2,724	173,558	3,167
Issued to effect acquisition of Dominion Dairies Limited	335,149	8,380		
	602,397	13,701	222,053	4,120
Issued and outstanding, end of year	13,536,319	\$101,796	12,933,922	\$88,095

7. Leases, Commitments and Guarantees

Operating Leases

The corporation has entered into or guaranteed long-term operating leases substantially all of which will be discharged within 14 years. Fixed rental expense for 1982 was \$6,717,000 (\$6,037,000 in 1981). Future annual fixed rental payments for years ending April 30 are as follows:

1983	\$6,634,000
1984	5,323,000
1985	4,464,000
1986	3,927,000
1987	3,397,000

In aggregate, fixed rental payments for subsequent years and guarantees amount to \$6,927,000.

Certain long-term operating leases require payments related to sales and/or additional charges for increased costs. The amount of such additional rental expense for 1982, not included in the above amount, is approximately \$1,432,000 (\$1,623,000 in 1981).

Capital Leases

Assets leased by the corporation subsequent to May 1, 1979, under agreements which transfer substantially all of the benefits and risks of ownership of the assets to the corporation are accounted for as capital leases.

At April 30, 1982, fixed assets acquired under capital leases, net of accumulated depreciation, amounted to \$1,431,000 (\$1,058,000 in 1981).

Future lease payments required under capital leases at April 30, 1982, for years ending April 30, are as follows:

1983	\$ 397,000
1984	324,000
1985	254,000
1986	227,000
1987	203,000
1988 to 1990	1,140,000

Total future minimum lease payments	2,545,000
Less imputed interest	(995,000)

Present value of minimum lease payments	\$1,550,000
---	-------------

Commitment

The corporation's investment for its 30% participation in Allelix Inc. is expected to be approximately \$20,000,000 of which \$1,300,000 was funded in 1982, \$5,500,000 is expected to be funded in 1983, and \$13,200,000 in varying amounts from 1984 through 1991.

Contingent Liability

Zymaize Company, a partnership with Redpath Industries, had total liabilities, net of partners' loans, of approximately \$61,000,000 at April 30, 1982. The corporation, along with Redpath Industries, is contingently responsible for these liabilities.

8. Pension Plans

The corporation contributes to its pension plans the amounts necessary to provide defined retirement incomes for the participants. Past service costs relating to improved benefits are funded and charged to earnings over periods not exceeding 15 years. Current service costs are funded and charged to earnings as they accrue.

Based on the most recent actuarial valuations, the corporation's unfunded obligations under pension plans were \$896,000 at December 31, 1981 (\$6,159,000 at December 31, 1980).

9. Acquisitions

During the year, the corporation acquired all of the shares of Dominion Dairies Limited, a fluid milk and cultured products processor with operations in Ontario and Quebec; Copper Cliff Dairies Limited, a fluid milk processor located in Northern Ontario; Balderson Cheese Ltd., a cheese manufacturer located in Eastern Ontario; and Kim Products Company, Inc., a processor of frozen specialty vegetables located in Arkansas. Details of the combined net assets acquired, accounted for under the purchase method, are as follows:

	Current	Non-Current	Total
(in thousands)			
Identifiable assets acquired at assigned values	\$41,421	\$44,760	\$86,181
Less liabilities assumed	33,921	6,545	40,466
Identifiable net assets acquired	7,500	38,215	45,715
Excess of purchase price over assigned values of identifiable assets		18,802	18,802
Purchase price	\$ 7,500	\$57,017	\$64,517
Consideration			
Cash			\$ 9,324
Unsecured promissory note due June 18, 1982			43,808
Secured promissory notes due in equal annual installments to 1987			3,005
Common shares of the corporation			8,380
			\$64,517

10. Remuneration of Directors and Officers

During 1982 the total remuneration paid to fifteen of the corporation's eighteen directors, as directors, was \$237,000 and to three of these directors, as directors of subsidiary companies, was \$7,600.

The corporation's thirteen officers received remuneration totalling \$2,046,000. The three officers who served as directors received no additional remuneration as directors.

11. The Company Act (British Columbia)

The Company Act (British Columbia) requires consolidated financial statements to include the names of every subsidiary corporation but permits the circulation within the province of statements which do not so comply.

These consolidated financial statements include the accounts of all subsidiary corporations. However, they do not include the names of such subsidiary corporations and, to that extent, they do not comply. A list of all of the subsidiaries of the corporation is available for inspection at the corporation's registered office in British Columbia.

12. Information by Class of Business

The classes of business of the corporation are as follows:

Brewing comprises the corporation's brewing activities in Canada and the sale of Canadian made beer and ale in the United States.

Packaged Food includes operations that manufacture and distribute grocery food products, confectionery products and wines, in Canada and the United States.

Agri Products includes operations that process agricultural and dairy products into basic foods.

The following is a summary of key financial information by business segment for the years ended April 30, 1982, and 1981.

	1982		1981	
	Gross sales	Inter-segment sales	Gross sales	Inter-segment sales
(in thousands)				
Brewing	\$ 827,323	\$ 1,314	\$ 650,519	\$ 1,031
Packaged Food	470,583		440,663	6
Agri Products	779,349	46,991	404,535	43,487
	\$2,077,255	\$48,305	\$1,495,717	\$44,524
	Capital expenditures	Depreciation & amortization	Capital expenditures	Depreciation & amortization
Brewing	\$22,175	\$16,405	\$15,359	\$15,425
Packaged Food	15,285	7,991	10,365	8,475
Agri Products	13,239	10,349	13,674	5,209
	\$50,699	\$34,745	\$39,398	\$29,109
	Contribution	Assets employed	Contribution	Assets employed
Brewing	\$ 68,052	\$217,529	\$46,089	\$227,997
Packaged Food	23,626	221,632	20,885	216,634
Agri Products	47,042	185,562	30,841	135,252
	138,720	624,723	97,815	579,883
Interest	29,861		25,666	
Income before taxes	\$108,859		\$72,149	
Cash and short-term investments		62,224		1,515
Investment in partly-owned businesses		45,577		20,743
Current liabilities other than bank advances and short-term notes		172,957		120,818
Total assets per consolidated balance sheet		\$905,481		\$722,959

13. Related Party Transactions

Through subsidiaries, the corporation enters into transactions with certain of its partly-owned businesses for the purchase and sale of products in the normal course of business. These transactions include sales of flour, pasta and packaged food products to both McGavin Foods Limited and Catelli-Primo Limited, the purchase of malt from Canada Malting Co., Limited and of starch, glucose, high fructose syrup and brewer's adjunct from Zymaize Company. Set out below are the amounts of these transactions for 1982 and 1981:

	1982	1981
(in thousands)		
Sales to		
McGavin Foods Limited		
and Catelli-Primo		
Limited	\$13,123	\$11,919
Purchases from		
Canada Malting Co.,		
Limited and		
Zymaize Company	\$39,063	\$29,259

Amounts receivable from and payable to partly-owned businesses at April 30, 1982 and 1981, in respect of the aforementioned transactions, are included in the accompanying consolidated balance sheet as set out below:

	1982	1981
(in thousands)		
Accounts receivable from		
McGavin Foods Limited	\$992	\$1,047
Catelli-Primo Limited	\$430	\$ 128
Accounts payable to		
Canada Malting Co.,		
Limited	\$1,365	\$1,511
Zymaize Company	\$ 197	

In the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, the corporation distributes beer through entities which are jointly owned by the corporation and other Canadian brewers. Each brewer's interest in these distribution companies is based upon its market share in the respective provinces, and all costs of such distribution companies are reimbursed by the brewers based upon their relative market shares.

On June 4, 1981, the corporation issued \$80,000,000 of 11% convertible subordinated debentures, of which \$33,000,000 was acquired by Brascan Limited, the corporation's principal shareholder.

Report on the Effects of Changing Prices

Traditional financial statements reflect costs at historical dollar values and, therefore, are most meaningful in an environment of stable prices. Periods of prolonged inflation, however, result in severe distortions in the reporting of financial results and have led to an increasing belief that traditional financial statements in historical dollar values should be supplemented by financial information that illustrates the effects of changing prices.

The significant impact of changing prices is measured in current cost statements by adjustments to: 1) cost of products sold, and 2) depreciation and amortization. The adjustments are determined in the case of cost of products sold by reference to the cost of replacing inventory at the date of sale, and in the case of depreciation and amortization by reference to the current cost of replacing depreciable assets.

Failure to provide for current cost charges results in a level of reported earnings on the traditional historical dollar value basis which tends to give a misleading impression of financial performance and, because of this, the validity of historic cost-based financial statements has come under serious review by the accounting profession.

In December 1981, the Canadian Institute of Chartered Accountants issued an exposure draft intended to lead to a generally accepted method of reporting on the effect of changing prices. John Labatt has published supplementary information on the effect of changing prices for several years and, this year, has changed the format so as to comply generally with the guidelines of this new draft recommendation.

Current cost financial statements should be used with caution as they are still experimental in nature, are based on subjective assumptions and estimates, and as yet there is no consensus on exactly how to use the data to evaluate company performance. Nevertheless, current cost financial statements are a reasonable attempt at illustrating the effects of inflation on reported earnings and on replacement value of assets employed.

Sound management of working capital, an orientation to cash flow, and focus on productivity improvement are important priorities in counteracting the impact of inflation on the business, and John Labatt continues to focus attention on these areas to ensure continued improvement in performance in real terms.

In restating reported results to a current cost basis generally consistent with the exposure draft guidelines, specific adjustments have been made in the financial results disclosed on the next page. Explanations of these adjustments are as follows:

- NOTE (A) — Cost of products sold on a current cost basis are \$11.3 million higher than on an historical cost basis, reflecting the cost of inventory sold during the year at current replacement cost instead of historical cost.
- (B) — Depreciation and amortization on a current cost basis is \$23.2 million higher than the historical cost based amount, reflecting depreciation expense calculated consistent with the company's established policy but on the current replacement values of plant and equipment instead of historical cost values. The current replacement values of plant and equipment are based on recent professional appraisals, updated to April 30, 1982, by regional indexes.
- (C) — A hedge against the impact of changing prices is provided to the extent that John Labatt will be able to partially finance asset replacement with debt obligations. The impact of current cost on earnings is thus reduced in proportion to the prospective debt. The financing adjustment of \$10.6 million is therefore a partial offset to the current cost adjustments set out in Notes (A) and (B).
- (D) — Current cost adjustments are not recognized by tax legislation and, therefore, the income tax provision for current cost income is the same as for historical cost income. The effective tax rate on current cost income amounts to 56.1% compared to a rate of 43.8% on historical cost income.
- (E) — No current value adjustments have been made to the equity in net earnings (losses) of partly-owned businesses and hence, these amounts are disclosed on an historical cost basis.
- (F) — The comparative disclosure of 1981F results on a current cost basis expressed in 1982F dollars was derived in the following manner:
Historical cost results for 1981F were restated to a current cost basis using the same method as explained above for the restatement of 1982F results to a current cost basis. The restated 1981F results were then converted into equivalent 1982F dollars by indexing all dollar values by the change in the consumer price index over this period.

Summary of Results Adjusted for Effects of Changing Prices (unaudited)

For the Year Ended April 30, 1982

(with comparative amounts for the year ended April 30, 1981)

(in millions except share amounts)

		1982 Historical Cost Dollars	1982 Current Cost Dollars	1981 Current Cost Constant Dollars
Net Sales		\$1,821.4	\$1,821.4	(Note F) \$1,451.3
Operating costs				
Cost of products sold	Note A	1,227.7	1,239.0	947.7
Selling and administrative expenses		423.9	423.9	382.5
Depreciation and amortization	Note B	34.7	58.0	56.4
Interest		29.9	29.9	28.7
		1,716.2	1,750.8	1,415.3
Operating income		105.2	70.6	36.0
Investment and sundry income		3.7	3.7	4.0
		108.9	74.3	40.0
Financing adjustment	Note C		10.6	12.9
Income before taxes		108.9	84.9	52.9
Income taxes	Note D	47.7	47.7	33.1
Earnings before the following		61.2	37.2	19.8
Equity in net earnings (losses) of partly-owned businesses	Note E	(3.7)	(3.7)	2.4
Minority interest		(.1)	(.1)	(.1)
Earnings before extraordinary item		57.4	33.4	22.1
Earnings per common share — fully diluted		\$ 3.70	\$ 2.31	\$ 1.67
Assets and equity				
Inventory		\$ 204.1	\$ 205.0	\$ 247.9
Fixed assets (net)		328.1	634.0	580.7
Shareholders' equity		\$ 330.8	\$ 637.6	\$ 613.2
Return on shareholders' equity		18.7%	5.6%	3.5%

Corporate Information

Directors

M. Bélanger, Quebec, Quebec
President, Gagnon et Bélanger Inc.
Elected 1972

P.F. Bronfman, Toronto, Ontario
Chairman of the Board
Edper Investments Ltd.
Elected 1979

J.B. Cronyn, London, Ontario
Corporate Director
Elected 1959

C. Diamond, Vancouver, British Columbia
President, B.C. Turf Ltd.
Elected 1981

J.T. Eyton, Toronto, Ontario
President and Chief Executive Officer
Brascan Limited
Elected 1979

E.A. Goodman, Toronto, Ontario
Partner, Goodman & Goodman
Elected 1966

A.S. Graydon, Meaford, Ontario
President, Parham Investments Limited
Elected 1952-54 and 1955

N.E. Hardy, London, Ontario
Chairman of the Board
John Labatt Limited
Elected 1966

G.F. Hughes, Windsor, Nova Scotia
President, Ocean Company Limited
Elected 1973

M.L. Lahn, London, Ontario
President and Chief Executive Officer
The Canada Trust Company
Elected 1978

A.J. MacIntosh, Toronto, Ontario
Partner, Blake, Cassels & Graydon
Elected 1967

A.M. McGavin, Vancouver, British Columbia
Honorary Director
McGavin Foods Limited
Elected 1969

J. Ortiz-Patiño, Geneva, Switzerland
Chairman of the Board
Patiño, N.V.
Elected 1980

H.C. Pinder, Saskatoon, Saskatchewan
President
Saskatoon Trading Company Limited
Elected 1977

S. Pollock, Montreal, Quebec
Chairman and President
Carena-Bancorp Holdings Inc.
Elected 1981

W.F. Read, London, Ontario
Senior Vice-President
John Labatt Limited
Elected 1970

P.N.T. Widdrington, London, Ontario
President and Chief Executive Officer
John Labatt Limited
Elected 1973

W.P. Wilder, Toronto, Ontario
Deputy Chairman
Hiram Walker Resources Ltd.
Elected 1970

Honorary Director

J.D. Harrison, London, Ontario
Retired Partner, Harrison, Elwood
Elected Director 1967
Elected Honorary Director 1980

Committees of the Board

Executive Committee

Chairman: N.E. Hardy

J.T. Eyton, E.A. Goodman, A.S. Graydon, M.L. Lahn, A.J. MacIntosh, P.N.T. Widdrington

FUNCTION: During intervals between meetings of the Board of Directors, the Executive Committee has all the powers of the Board except those powers that are required by legislation or Company by-law to be exercised by the Board itself.

Public Responsibility Committee

Chairman: E.A. Goodman

P.F. Bronfman, G.F. Hughes, A.M. McGavin, S. Pollock, W.F. Read, J.D. Harrison (Honorary Member)

FUNCTION: Reviews Company policies and practices concerning the physical, social and political environment, specifically those concerning labour, equal employment opportunity, consumer protection, public relations, charitable donations and government relations. It also reviews the impact of proposed legislation which may have social implications for the Company.

Audit Committee

Chairman: M. Bélanger

A.J. MacIntosh, J. Ortiz-Patiño, P.N.T. Widdrington, W.P. Wilder

FUNCTION: Reviews financial information intended for publication, and the adequacy thereof, before such information is submitted to the Board. It also reviews, on a continuing basis, control procedures in effect throughout the Company.

Pension Investment Advisory Committee

Chairman: J.B. Cronyn

C. Diamond, J.T. Eyton, M.L. Lahn, H.C. Pinder

FUNCTION: Reviews and makes recommendations with respect to the funding of employee pension benefits, selection of investment managers and funding vehicles, investment return objectives and investment strategies, and performance of each pension fund within the organization.

Management Resources and Compensation Committee

Chairman: N.E. Hardy

J.T. Eyton, E.A. Goodman, A.J. MacIntosh

FUNCTION: Reviews manpower planning and the performance of management personnel and makes recommendations to the Board concerning executive compensation.

Corporate Officers

N.E. Hardy, Chairman of the Board
P.N.T. Widdrington, President and
Chief Executive Officer
J.M. Legault, Senior Vice-President,
Corporate Affairs
R.W. Luba, Senior Vice-President,
Packaged Food Group
W.F. Read, Senior Vice-President,
Brewing Group
G. Saint-Pierre, Senior Vice-President,
Agri Products Group
R.B. Fraser, Vice-President,
Corporate Development

R.L. Hooey, Vice-President,
Personnel Resources
D.C. Kitts, Vice-President,
Administration and General Counsel
G.S. Taylor, Vice-President,
Finance
G.E. Wilson, Vice-President,
Engineering Services
W.J. Emmerton, Secretary
R.G. Vaux, Treasurer

Operating Divisions

Labatt Brewing

S.M. Oland, President
R.A. Binnendyk, Vice-President, Development and
Corporate Affairs
E.G. Bradley, Vice-President, Ontario Region
L.D. Campbell, Vice-President, Distribution and
Purchasing
D.L. Cashen, Vice-President, Western Region
P. Desjardins, Vice-President, Quebec Region
J.H. England, Vice-President, Finance
T.R. Errath, Vice-President, Marketing
R.B. McCuaig, Vice-President, Brewing Operations
J.R. McLeod, Vice-President, Atlantic Region
J.J. Ranson, Vice-President, Personnel
G.W. Canning, Vice-President
and General Manager, Newfoundland
G.P. Freeman, Vice-President and General Manager,
British Columbia
I.J. McCaskill, Vice-President and General Manager,
Manitoba
J.F. Morgan, Vice-President and General Manager, Alberta
R.S. Thorpe, Vice-President and General Manager,
Saskatchewan

Labatt Importers

W.F. Read, Chairman

Catelli

J.F. Ronald, President

Laura Secord

A. McEwen, President

Chateau-Gai Wines

M.H. Condé, President

Chef Francisco

F. Elsener, President

LaMont Winery

D.L. Triggs, President

Ault Foods

S.G.K. Ault, Chairman
K.H. Henry, President
Dr. E. Eino, Vice-President, Manufacturing
D.E. Rooney, Vice-President, Finance
P.D. Vallière, Vice-President, Personnel
S.F. Ault, Vice-President and General Manager,
Ault Milk
N. Lafrenière, President, Beurrerie Lafrenière
L.W. Roszell, President, Dominion Dairies
D.R. Stacey, President, Stacey Brothers

Ogilvie Flour

J.F. Blakney, President

Industrial Grain Products

N.F. Kalin, President

Terra Foods

P. Labrecque, President

Miracle Feeds

J. Linton, President

Stock Exchanges

Montreal, Toronto, Winnipeg, Alberta, Vancouver

Transfer Agents

The Canada Trust Company, Halifax, Montreal, Toronto,
Winnipeg, Regina, Calgary and Vancouver

The Canadian Bank of Commerce Trust Company,
New York, U.S.A.

Registrars

The Royal Trust Company, Halifax, Montreal, Toronto,
Winnipeg, Regina, Calgary and Vancouver

Bank of Montreal Trust Company, New York, U.S.A.

Principal Banks

Canadian Imperial Bank of Commerce

Citibank, N.A., New York, U.S.A.

Auditors

Clarkson Gordon

Chartered Accountants, London, Ontario

**For further information
please write:**

Investor Relations

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London, Ontario N6A 4M3

lawson & jones limited
PRINTED IN CANADA

Eight-Year Review

(in millions except per share amounts)

	1982	1981	1980	1979	1978	1977	1976	1975
Operating Results								
Gross sales	\$2,077.3	\$1,495.7	\$1,341.8	\$1,109.7	\$997.3	\$922.2	\$837.2	\$727.5
Depreciation and amortization	34.7	29.1	23.9	19.7	17.5	16.3	15.0	13.4
Interest expense	29.9	25.7	24.7	19.3	14.5	13.4	14.2	14.3
Income taxes	47.6	29.6	25.9	17.5	19.7	20.5	16.7	15.1
Earnings before extraordinary items	57.4	44.6	37.8	22.5	33.9	28.1	24.3	22.2
Net earnings	53.9	41.4	36.2	22.5	33.9	28.1	26.9	22.2
Cash flow from operations	118.1	82.1	67.5	49.7	56.5	50.9	45.6	38.1
Common share dividends	19.4	16.6	15.3	14.2	13.1	12.2	10.1	9.2
Capital expenditures, acquisitions and additional investment in partly-owned businesses	\$144.5	\$50.6	\$62.2	\$47.0	\$48.4	\$31.6	\$28.6	\$36.5
Financial Position								
Working capital	\$192.2	\$151.6	\$135.1	\$93.3	\$99.1	\$99.0	\$91.0	\$54.1
Fixed assets	328.1	270.6	268.9	232.1	201.3	183.3	177.6	169.2
Total assets	905.5	723.0	672.1	610.3	519.0	463.1	437.2	426.2
Long-term debt	255.0	177.1	187.0	153.4	142.1	146.0	147.0	116.2
Shareholders' equity	330.8	282.6	253.7	228.5	215.6	194.8	179.4	164.9
Total capitalization	\$674.5	\$604.0	\$568.1	\$514.6	\$435.1	\$386.8	\$375.8	\$368.3
Per Common Share Data								
Earnings								
Before extraordinary items	\$4.27	\$3.47	\$3.01	\$1.84	\$2.89	\$2.45	\$2.24	\$2.09
Net earnings	4.01	3.22	2.89	1.84	2.89	2.45	2.50	2.09
Fully diluted earnings								
Before extraordinary items	3.70	3.21	2.76	1.71	2.53	2.12	1.89	1.84
Net earnings	3.50	2.98	2.65	1.71	2.53	2.12	2.07	1.84
Cash flow from operations	8.78	6.39	5.40	4.13	4.86	4.52	4.41	3.81
Common share dividends	1.44	1.30	1.23	1.19	1.14	1.09	1.03	.98
Shareholders' equity	24.44	21.85	19.96	18.34	17.67	15.89	14.25	12.33
Price range — high	29¹/₈	29 ³ / ₈	26 ¹ / ₂	24 ⁵ / ₈	22 ¹ / ₈	18 ³ / ₈	21	25 ⁷ / ₈
— low	\$23¹/₄	\$21 ¹ / ₈	\$20 ¹ / ₄	\$19 ¹ / ₄	\$16 ⁷ / ₈	\$14 ³ / ₄	\$16 ¹ / ₄	\$12 ⁵ / ₈
Other Data								
Return on shareholders' equity	18.7%	16.6%	15.7%	10.1%	16.5%	15.0%	14.1%	13.9%
Earnings before extraordinary items as a percent of sales	2.76%	2.98%	2.81%	2.02%	3.40%	3.04%	2.91%	3.05%
Working capital ratio	1.79	1.75	1.76	1.51	1.84	2.16	2.13	1.45
Debt/equity ratio	.81	.92	1.02	1.05	.82	.80	.92	1.07
Net borrowings as a percent of total capitalization	39.6%	43.0%	46.0%	46.5%	40.4%	40.1%	44.3%	48.1%
Common shares outstanding (in thousands)	13,536	12,934	12,712	12,023	11,583	11,321	10,250	9,344
Number of shareholders	11,146	11,410	12,365	11,024	12,238	10,717	9,385	9,205
Number of employees	11,000	10,400	13,100	12,750	12,350	12,100	12,150	11,600

